United Nations S/2007/651

Security Council

Distr.: General
5 November 2007

Original: English

Letter dated 5 November 2007 from the Secretary-General addressed to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to convey the attached letter dated 2 November 2007, which I received from the High Representative for Bosnia and Herzegovina, transmitting the thirty-second report on implementation of the Peace Agreement, covering the period from 1 April 2007 to 30 September 2007 (see annex).

I should be grateful if you would bring the present letter and its annex to the attention of the members of the Security Council.

(*Signed*) **Ban** Ki-moon

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Annex

Letter dated 2 November 2007 from the High Representative and European Union Special Representative in Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995), in which the Council requested the Secretary-General to submit to it reports from the High Representative in accordance with annex 10 to the General Framework Agreement for Peace in Bosnia and Herzegovina and the conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the thirty-second report (see enclosure). I would ask for this report to be distributed to the members of the Security Council for their consideration.

This is my first report to the Secretary-General since assuming the office of High Representative for Bosnia and Herzegovina (and European Union Special Representative) on 2 July 2007. The present report covers the period from 1 April 2007 to 30 September 2007.

Should you or any member of the Security Council require any information beyond what is offered in the report or have any questions regarding its contents, I should be pleased to provide further information.

(*Signed*) Miroslav **Lajčák**
High Representative and European Union Special Representative
in Bosnia and Herzegovina

Enclosure

Thirty-second report of the High Representative for Bosnia and Herzegovina

1 April-30 September 2007

Summary

The present report covers the period from 1 April to 30 September 2007. During this time, there has been almost no progress in addressing the reform agenda and Bosnia and Herzegovina has moved no closer to initialling a Stabilization and Association Agreement with the European Union. This is despite the fact that the overwhelming majority of citizens of Bosnia and Herzegovina wish to see progress with regard to the relationship with the European Union.

While tensions over Srebrenica in the wake of the Judgment of the International Court of Justice have lessened, overall, we have witnessed a deterioration of the political situation.

There have been important developments during the month of October which will be of interest to the Security Council. These are reflected in the Declaration of the Steering Board of the Peace Implementation Council of 31 October (see appendix).

I will continue to exercise my mandate as High Representative in order to ensure full respect of the Dayton Peace Agreement. I will also continue to do my utmost to help overcome the challenges facing Bosnia and Herzegovina at this moment and to facilitate steps that can contribute to stability and progress.

I. Introduction

1. This is my first report to the Secretary-General since assuming the office of High Representative for Bosnia and Herzegovina (and European Union Special Representative) on 2 July 2007. It also covers the final three months of the mandate of my predecessor, Christian Schwarz-Schilling. As has been the norm, the report assesses progress made towards attaining the goals outlined in previous reports, reviews developments during the reporting period and provides my assessment of mandate implementation in the more important spheres.

II. Political update

General political environment

2. The fallout from the February 2007 ruling by the International Court of Justice in the suit filed in 1993 by the former Republic of Bosnia and Herzegovina against the former Federal Republic of Yugoslavia continued to define domestic politics during the first half of the reporting period. Bosniak demands that Srebrenica should have a special status outside the Republika Srpska, failing which returnees would abandon this one time United Nations "safe area" on the twelfth anniversary of its fall to Serb forces on 11 July, led to the establishment in April of a tent camp in Sarajevo. The camp lasted for some three months, during which time certain Bosniak political leaders sought to use the Srebrenica genocide as a means of attacking both the constitutional order and the legitimacy of the Republika Srpska.

3. The contention over Srebrenica impacted upon the Presidency of Bosnia and Herzegovina in mid-April when its then Serb chairman, Nebojša Radmanović, invoked a "vital entity interest" objection to a decision by his two colleagues to demand that Serbia should fulfil its obligations under the verdict of the International Court of Justice. The National Assembly of the Republika Srpska duly upheld the chairman's veto.

4. The Government of the Republika Srpska acted responsibly on a practical level in defusing tensions over Srebrenica and other towns in the eastern part of the Republika Srpska. It appropriated development funding for the Srebrenica region. This contributed to an overall effort identifying the economic, social, security and juridical improvements that could be made benefiting all Srebrenica area residents. These efforts were led by Clifford Bond, whom Dr. Schwarz-Schilling appointed as his Envoy to the Srebrenica region in early May. Such efforts set the scene both for the dismantling of the tent camp in Sarajevo and the peaceful commemoration of the Srebrenica anniversary, accompanied by the funerals of several hundred recently identified victims of the 1995 massacres.

5. Unfortunately, August and September again saw a deterioration of the political atmosphere due to negative rhetoric coming from both Serb and Bosniak parties.

6. Despite repeated calls by the political leaders of the Republika Srpska to recover the entity's former powers, no such initiative was launched during the reporting period. Nikola Špiric, chairman of the Council of Ministers, acknowledged that the consent of both entity parliaments and the Parliamentary Assembly of Bosnia and Herzegovina would be required for any formally transferred competencies to be retrieved.

7. As is described in detail below, late August and all of September were dominated by efforts to forge a political agreement on police reform sufficient to unlock a Stabilization and Association Agreement with the European Union during 2007.

Constitutional reform

8. There is a broad consensus among Bosnia and Herzegovina parties and civil society that the constitution provided by annex IV to the Dayton Peace Agreement can provide neither functional and efficient State institutions nor a system capable of satisfying the demands of Euro-Atlantic integration. Although constitutional reform remained a high-profile and much debated issue during the reporting period, little concrete progress was recorded, owing both to the domestic authorities' concentration on police reform, which became a surrogate arena for debating constitutional matters, and to the contradictory views on what the substance of any constitutional reform should be.

9. The package of amendments narrowly defeated in the House of Representatives of Bosnia and Herzegovina in April 2006 was effectively discarded, including by some of the parties that had originally supported it. Developments in the period centred instead on articulation by the major parties of guiding principles for new rounds of negotiations. Parties in the Republika Srpska argued for an explicitly federal or confederal State organization in which their entity, in its existing confines, would be one of two, three or more federal units.

10. The five Croat parties that regard constitutional reform as the most pressing issue for their constituents — and insist that it take place during my mandate — signed a joint declaration on the principles that should underlie a new constitution in late September. Their declaration foresees the elimination of the current two-entity structure and the creation of a decentralized State with three levels of authority: State, middle and local. The declaration suggests support for a federal structure, but not one that would leave the Republika Srpska intact. There are indications that a "territorially discontinuous" Croat federal unit, which would link politically separate Croat majority areas in Herzegovina and Posavina, could be a central demand of the Croat parties during any future constitutional-reform talks.

11. On the Bosniak side, a Party for Democratic Action (SDA)-Party for Bosnia and Herzegovina (SBiH) working group produced a platform in September, but its scheduled signature has been postponed as a result of both the pressures of the police-reform talks and the differences between the two parties that emerged during them. SDA and SBiH insist on the need for a wholly new constitution that would scrap an electoral system that violates the protocols of the European Convention on Human Rights and replace it with one that gives preference to individual rather than national or entity rights. Their draft platform, which has not been agreed formally between the two parties, argues for Bosnia and Herzegovina to be composed of at least five multinational regions based on functional, economic, geographical, transport, historical and national or ethnic criteria.

12. Constitutional reform remains an imperative for Bosnia and Herzegovina for both political and functional reasons. Finding common ground and providing the country with a more functional, efficient, legitimate and stable constitutional order will be a major challenge, given the differences.

III. European Partnership requirements

13. Although Bosnia and Herzegovina successfully completed the technical negotiations on a Stabilization and Association Agreement with the European Union late in 2006, Bosnia and Herzegovina has not moved forward regarding initialling and signing the Agreement because there has not been sufficient progress on the four key political requirements of the European Union (police restructuring, cooperation with the International Tribunal on the Former Yugoslavia, public administration reform and public broadcasting reform).

Police restructuring

14. Despite signs of progress at a meeting of Serb and Bosniak leaders on 14 March, the ensuing four months saw no further movement towards a political agreement on the basis of the report of the Directorate for Police Restructuring Impiementation that would enable Bosnia and Herzegovina to initial and sign a Stabilization and Association Agreement with the European Union.

15. In July, following my appointment as High Representative and European Union Special Representative, I met with all the major party leaders, encouraging them to move forward on police reform and the Stabilization and Association Agreement in a spirit of compromise. I also set a deadline of 30 September for the parties to reach an agreement, which was the cut-off date for inputs to the progress report of the European Commission on Bosnia and Herzegovina.

16. In the absence of any domestic political initiatives, at the end of August I presented a draft protocol on meeting the police reform requirements necessary for initialling and signing the Stabilization and Association Agreement. The proposal combined essential elements of earlier documents, including the report of the Directorate and solutions discussed at the 14 March negotiations, describing the institutional features of the future policing system. The protocol also contained timelines, obliging the signatories to ensure a transfer of competencies from the cantons and entities to the State and the adoption of key legislation regulating the reform.

17. Following bilateral meetings with party chiefs at which I presented my proposal, my office succeeded in convening and chairing several rounds of technical-level negotiations among the eight major parties between 12 and 28 September. However, these failed to achieve an agreement based on the protocol. The Republika Srpska-based parties, in particular, showed very little flexibility.

18. On 28 September, the leaders of SNSD and SBiH, Milorad Dodik and Haris Silajdžić, negotiated, signed and forwarded to me a separate protocol of their own. This document lacked crucial details in several areas, making it impossible to assess whether or not it fulfilled the three European Union principles. Mr. Dodik failed to respond to repeated requests for clarification of the document's provisions. Contradictory interpretations of it offered to the media by the two party leaders suggested that there was no common understanding on key aspects.

19. Having consulted with European Union institutions, I therefore issued a statement on 4 October noting that the proposal of Messrs. Dodik and Silajdžić neither fulfilled the three European Union principles nor enjoyed the support of the majority of parties. On the other hand, the fact that they had belatedly sought to

engage with the issue was sufficiently encouraging to cause me to extend the deadline for a general agreement by a few days. I subsequently announced that the final deadline would be 15 October, on which day I would be obliged to report to the European Union on whether or not Bosnia and Herzegovina could possibly qualify for a Stabilization and Association Agreement.

20. On 10 October, the two main Croat parties produced a new proposal that appeared to be in line with the European Union principles and incorporated elements from both my protocol and the proposal of Messrs. Dodik and Silajdžić. Sadly, the meeting of party leaders called in Sarajevo on 11 October to discuss the Croats' draft failed to reach any agreement.

21. On 28 October, the leaders of the six government coalition parties met in Mostar and agreed on a declaration on police reform. As the Steering Board of the Peace Implementation Council has pointed out, the declaration can serve as the starting point, but concrete steps are needed to demonstrate that this is a serious effort and to allow for progress towards conclusion of a Stabilization and Association Agreement.

IV. Entrenching the rule of law

22. In addition to police reform, my office has continued to focus on facilitating and consolidating the implementation of other rule of law reforms, especially those that aim to build the capacity of the justice sector.

23. In close coordination with other members of the Peace Implementation Council, the Office of the High Representative has worked over the reporting period with the Ministry of Security of Bosnia and Herzegovina, the State Investigation and Protection Agency, the Border Police and the entity and cantonal interior ministries and police forces to enhance their effectiveness, particularly in the fight against organized crime. We have also worked to improve the capacity of the recently formed Service for Foreigners' Affairs of Bosnia and Herzegovina.

24. The Office of the High Representative convened two brainstorming sessions on justice-sector reforms that had been identified as necessary by the domestic authorities. Thanks to donor support pledged at the first session, partial funding for the building of a State prison has been secured. A high-security facility is necessary to ensure appropriate accommodation for persons convicted of war crimes and other serious crimes. The escape of convicted war criminal Radovan Stanković from a Republika Srpska prison in May highlighted the urgency of this need. Additional funds are still required, however, and I will support the Ministry of Justice in its attempts to secure the requisite funding from international and domestic sources.

25. Several items on the reform agenda concern the processing of war crimes. The Ministry of Justice has created a working group tasked with drafting a State war crimes strategy, which is necessary if all war crimes are to be prioritized and processed.

26. The brainstorming sessions also considered several proposals for the reorganization of the current system that aim to ensure the uniform application of criminal legislation and jurisprudence throughout the country. The Office of the High Representative will assist the domestic authorities in examining and applying these proposals.

27. The Office of the High Representative continues to monitor the successful transition by the Registry of the State Court to full domestic ownership, anticipated by the end of 2009.

V. Cooperation with the International Criminal Tribunal for the Former Yugoslavia

28. Cooperation with the International Criminal Tribunal for the Former Yugoslavia has been a priority for me. There was some progress during the reporting period. On 31 May the Republika Srpska police, acting in coordination with their Serbian counterparts, arrested Tribunal fugitive Zdravko Tolimir near the Serbian border. He was soon transferred to The Hague. With the arrest in Montenegro of Viastimir Djordjević in June the number of Tribunal fugitives was reduced to four.

29. In July, I ordered the seizure of passports and travel documents of 93 persons being investigated for war crimes committed in and around Srebrenica in 1995, 35 of whom were subsequently suspended from their posts in the Republika Srpska police. Following consultation with the International Criminal Tribunal for the Former Yugoslavia, I also removed a former Republika Srpska police director, Dragomir Andan, from his position as the head of training for the Republika Srpska police.

30. Several complex war crimes trials are proceeding in the State Court. There have also been clear signs that progress is being made in improving coordination between State and entity agencies in targeting fugitives' support networks.

31. With the aim of reinforcing the team from the State Prosecutor's Office that is investigating persons who may have participated in the Srebrenica genocide, the Office of the High Representative successfully lobbied potential donors for contributions towards hiring former investigators of the International Criminal Tribunal for the Former Yugoslavia. Funding for two investigators was secured and two individuals have been hired. Further funding appears to be available to continue reinforcing this effort.

32. I will continue to monitor the work of the Bosnia and Herzegovina authorities, particularly those of the Republika Srpska, to ensure that both cooperation with the International Criminal Tribunal for the Former Yugoslavia and the pursuit of war criminals generally are intensified.

VI. Reforming the economy

33. Despite the difficult political environment, Bosnia and Herzegovina is in its fourth year of stable economic performance, with growth in the gross domestic product estimated at 6 per cent in 2007. Inflation in the first quarter of 2007 was just 1.5 per cent. The current account deficit dropped from 21.3 per cent of the gross domestic product in 2005 to 11.4 per cent in 2006 and will probably shrink further once corrections for underreporting of current receipts have been made. The trade deficit fell from 49.6 per cent in 2005 to 37.1 per cent in 2006, although further improvements are unlikely for the time being as export expansion has slowed in 2007 and imports have again increased. The total fiscal surplus was 3 per cent of the

gross domestic product in 2006, which resulted mainly from a surge of revenues following the introduction of value-added tax.

34. The windfall represented by high collection rates of indirect taxes has not, however, facilitated either an agreement on a permanent mechanism for revenue allocation between the entities or provided a remedy for fiscal challenges that lie ahead. In particular, pre-election spending and the currently lax and uncoordinated fiscal regime could cause a sharp deterioration in the State Government's balance sheet. The State Government could have a deficit of up to 1.5 per cent of the gross domestic product in 2007, which highlights the urgent need to establish a national fiscal council that would ensure proper fiscal coordination and macroeconomic stability.

35. It is also worth noting in this context that public-sector wages in both the entities and cantons have almost reached parity with those of State institutions. If this trend continues, this would merely exacerbate the problem of a disproportionately large public-sector wage bill. A State-level law on public salaries that aims to rationalize the system is currently being drafted.

36. There has been little or no progress in reforming the business environment. Not only do relevant laws (such as those on obligations and pharmaceuticals) remain blocked for national-political and/or patronage reasons, but there also appears to be a tendency, primarily in the Republika Srpska, to adopt partial and uncoordinated solutions. Examples include laws recently adopted in the Republika Srpska on fiscal registers and natural gas, over which there was neither consultation nor coordination with the State or Federation authorities.

37. Far from enhancing the single economic space, such isolated initiatives contribute to its disintegration. They also discourage investment and sustain high unemployment rates. The latter is estimated to total 31.1 per cent, with 20 per cent of the population living below the poverty line and another 30 per cent hovering around it. This situation impacts negatively upon economic recovery and widens the gap between Bosnia and Herzegovina and other transition countries. It also imperils the country's prospects for European Union integration, overshadowing such rare positive developments as ratification by Bosnia and Herzegovina of the Central European Free Trade Agreement treaty in September.

38. To highlight the challenges, the Office of the High Representative hosted an economic conference on 16 October that brought together the international community, domestic policymakers and business leaders. The conference successfully put economic issues back at the centre of public debate and created a platform for dialogue on the needs of the Bosnia and Herzegovina economy, including measures to improve living standards in the short term. Most importantly, it resulted in a platform for action — signed by the State and entity prime ministers and the mayor of Brčko District — that singles out what needs to be done to improve fiscal coordination, create a better business environment and promote reforms ensuring sustainable economic development.

VII. Public administration reform

39. A new State-level public administration reform coordinator took office during the reporting period. The Bosnia and Herzegovina Presidency accepted and signed a

memorandum of understanding on a public administration reform fund. These were signals that the public administration reform process can finally commence in Bosnia and Herzegovina.

40. My office will continue to advise and assist the relevant authorities in order to ensure that the process can proceed without further undue delays. Initiating the implementation of the comprehensive public administration reform action plan is a key short-term priority of the country's European Partnership and a condition for signing a Stabilization and Association Agreement.

VIII. Defence reform

41. All three prime ministers signed a document entitled "Principles on defence property" in July that addresses the issue of moveable and immoveable defence property. A legal working group charged with translating those principles into legal and political reality began work in September, but has made little progress.

42. Elsewhere, the business of implementing the essential elements of the defence reform continued. Bosnia and Herzegovina hosted its first planning and review process assessment with the North Atlantic Treaty Organization (NATO) in September. This biennial planning cycle provides an important tool for enhancing interoperability between Bosnia and Herzegovina and NATO. Bosnia and Herzegovina has undertaken to provide information on a wide range of subjects for each two-year cycle, including defence policy, developments with regard to the democratic control of the armed forces, State policy relating to Partnership for Peace cooperation, and relevant financial and economic plans. The results of the September assessment were generally positive. Officials of Bosnia and Herzegovina have quickly adapted to the demands and pace of the process and will improve the quality of their input as the planning and review process proceeds.

IX. Intelligence reform

43. The Intelligence and Security Agency of Bosnia and Herzegovina continued to develop its operations in the fields of organized crime, counter-terrorism and war crimes. Cooperation with law enforcement agencies remains satisfactory, but the obvious inefficiencies of the country's policing and judicial systems limit the impact of these efforts. Cooperation with global and regional partners has become routine and continues to evolve. Although the situation is gradually improving, there are still deficiencies regarding information technology and equipment. The transfer of ownership of moveable and immoveable property from the entities to the State remains unresolved.

X. European Union military mission in Bosnia and Herzegovina

44. Consonant with the prevailing security situation in Bosnia and Herzegovina, the European Union military mission in Bosnia and Herzegovina (EUFOR) completed its transition to a reduced force structure of some 2,500 ahead of schedule. It should be noted, however, that the presence of EUFOR on the ground provides crucial reassurance which remains necessary. Given the current

environment, I welcome the fact that EUFOR retains the capacity to deploy troops throughout the country at short notice as well as the capability to bring in over-the-horizon reserves.

XI. Return of refugees and displaced persons

45. The Office of the High Representative handed over responsibility for implementing annex 7 to the General Framework Agreement on the return of refugees and displaced persons to the domestic authorities in December 2003, when property repossession was nearly complete and new legislation had been passed establishing the necessary State organs and coordination mechanisms for dealing with this issue. Property repossession has since been completed throughout the country, all municipalities having processed outstanding first-instance applications for the repossession of dwellings.

46. It is virtually impossible to offer a reliable estimate of the number of people who have returned physically or permanently to their pre-war homes. The number of potential returnees grows smaller with the passage of time. A recent reregistration exercise undertaken by the Ministry for Human Rights and Refugees indicated that there are still 130,000 displaced persons in Bosnia and Herzegovina seeking to return to their pre-war homes.

47. This autumn, the Ministry of Human Rights and Refugees started to review its strategy for completing the implementation of annex 7. My office and the Office of the United Nations High Commissioner for Refugees (UNHCR) support this exercise. The strategy will focus especially on sustaining the returns process.

48. Both returnees and those still seeking to return continue to need and deserve the support and attention of both international and domestic agencies. Too many in both categories remain without the basic conditions for rebuilding a dignified, sustainable and stable existence.

XII. Mostar

49. Although direct intervention by my predecessor was necessary to resolve several political disputes in Mostar during the previous reporting period, I am pleased to report that such high-level intervention has not been required in the city over the past six months. Decisions of the Office of the High Representative related to urban planning and the arbitration decision on Croat-controlled Hercegovačka Radio-Television have been satisfactorily implemented by the city administration, if not yet by the cantonal government in the case of Hercegovačka Radio-Television.

50. At the same time, Mostar remains at the epicentre of Bosniak-Croat relations in Bosnia and Herzegovina, and the two national-political elites' divergent interests retain the potential to shake the foundations of unification.

51. Finally, the future status of the Mostar Statute, with its special electoral rules aimed at preserving national-political balance and powersharing — which weathered a legal challenge mounted by the Croats before the Federation Constitutional Court in April — remains uncertain. Because it has not been adopted by the City Council, and is unlikely to be endorsed in an election year, the Office of the High

Representative remains the primary protector of the Statute until such time as local bodies formally enact it.

52. With regard to Herzegovina-Neretva Canton, it proved necessary for me to set a deadline of 1 August to ensure formation of a new cantonal government — 10 months after the general elections. This deadline was met.

XIII. Brčko District

53. Politics in Brčko District remained relatively stable over the reporting period. The District, however, cannot but be affected by the troubled political situation prevailing in the country as a whole.

54. In April my predecessor enacted changes to the Law on the Indirect Taxation Authority. These amendments guaranteed the district a minimum revenue share in allocations from the Authority's single account, the absence of which had led the district to lodge a formal complaint with the Arbitral Tribunal that it was being short-changed. The decision had the effect of obviating the need for the Tribunal to proceed.

55. In mid-2007, the Supervisor enacted several amendments to District legislation, providing for a comprehensive overhaul of redundant laws. The District Assembly also passed a law on real estate tax.

56. The performance of the Government has improved. It has successfully attracted outside investments and seems to be beginning to appreciate the importance of marketing to foreign investors. On the other hand, alleged chaos in the health care and education services has been the subject of recurrent criticism. Majority decision-making in the Government replaced executive decisions by the mayor as a result of a supervisory order amending the District Statute in February. This new system seems to have worked well.

57. In September, both houses of Parliament of Bosnia and Herzegovina adopted a law on amendments on the law on the Council of Ministers that establishes the Brčko District Coordinator's Office as a permanent body in the Council of Ministers. However, Brčko officials are looking for further measures that will secure the position of the district within Bosnia and Herzegovina.

XIV. Bosnia and Herzegovina and the region

58. As a State still lacking a full political consensus about how its multinational citizenry should live together, Bosnia and Herzegovina cannot help being affected by developments in the region. Not only do the domestic politics of Croatia, Montenegro and Serbia impact upon it to varying degrees, but Serbs, Croats and Bosniaks all identify with their co-nationals across the borders of Bosnia and Herzegovina.

59. Kosovo's future status has been the subject of discussion and of political statements in Bosnia and Herzegovina. Until recently, there were few statements by the political parties in the Republika Srpska and the Government of Serbia to link the fates of Kosovo and the Republika Srpska. However, over the past weeks we have witnessed an increasing number of such statements being made.

60. In the late summer the Republika Srpska government signed an updated version of its special parallel relations agreement with Serbia and announced the launch of several joint projects in the energy sector. There was some criticism of this, especially in the Bosniak camp.

61. The Government of Croatia announced that construction of a bridge from the mainland to the Pe1ješac peninsula (which would obviate the need for road traffic between northern and southern Dalmatia to cross Bosnia and Herzegovina territory at Neum) would commence in October. The Presidency assigned to the Council of Ministers the task of gathering full information on the matter, including with regard to Bosnia and Herzegovina access to the sea and territorial integrity.

62. Continuing inadequacies in judicial cooperation among Serbia, Croatia, Montenegro and Bosnia and Herzegovina, particularly over war crimes prosecutions, was evident in the period, occasioned by the arrest and indictment in Belgrade of a Bosnia and Herzegovina citizen accused of war crimes against the former Yugoslav Peoples Army in Tuzia in 1992. Bosnia and Herzegovina has not been able to secure the man's extradition for possible trial in Bosnia and Herzegovina.

63. Finally, it must be noted once again that the failure of Bosnia and Herzegovina to secure a Stabilization and Association Agreement with the European Union has exposed it to the risk that it will fall well behind its neighbours. Croatia is engaged in negotiations on European Union membership and Montenegro signed its agreement in mid-October. Serbia, for its part, has completed negotiations on an agreement and may initial the agreement before the end of the year.

XV. European Union Police Mission

64. During the reporting period, the European Union Police Mission concentrated on the fight against organized crime and corruption. Through its Criminal Justice Interface Unit and in close coordination with the Office of the High Representative/European Union Special Representative, the Mission promoted better relations between police and prosecutors. The Mission also engaged in monitoring and supporting the development of best practices in the work of the domestic police, in particular by ensuring improved police accountability. It was also engaged on police reform matters, including providing support to the High Representative in his efforts to achieve an agreement. The Mission supported the strengthening of State-level law enforcement agencies (the Border Police and the State Investigation and Protection Agency), especially through co-location.

65. The current European Union Police Mission mandate expires in December 2007. However, the European Union has indicated its willingness to extend the Mission for another two years in roughly the same shape and size. The Presidency of Bosnia and Herzegovina requested such an extension on 19 September.

XVI. Non-certification of police officers

66. Following contacts between the United Nations, Bosnia and Herzegovina institutions and the Office of the High Representative/European Union Special Representative, the President of the Security Council wrote to the Permanent

Representative of Bosnia and Herzegovina to the United Nations on 30 April informing him that the Security Council had lifted the lifetime ban on employment in police agencies by persons who had been denied certification by the former United Nations International Police Task Force, so permitting these onetime police officers to apply for vacant positions in the police services under the conditions of employment prescribed by Bosnia and Herzegovina legislation.

67. In May the Council of Ministers of Bosnia and Herzegovina annulled its earlier decision to establish a review commission for these cases, which had been contrary to provisions of Security Council resolutions, and adopted a decision establishing a monitoring team to prepare an action plan for implementation of activities defined in the letter of the President of the Security Council. The Council of Ministers dissolved the monitoring team on 28 June, however, because its proposed action plan was not in line with the solution foreseen in the President's letter.

68. The Office of the High Representative presented the letter of the President of the Security Council to the Police Steering Board in July and briefed its members (comprising senior managers of State, entity and Brčko District law enforcement agencies) on the need to adopt or amend legislation at all relevant levels in conformity with the letter. The Office of the High Representative conveyed the same message shortly afterwards to a meeting of the 10 cantonal police commissioners and interior ministers chaired by the Federation minister of the interior. On 16 August the Federation ministry forwarded model amendments, drafted by the Office of the High Representative and the European Union Police Mission, to the cantonal ministers and police commissioners.

69. One cantonal assembly (Goražde-Podrinje) has adopted the required amendments, while other jurisdictions are in the process of drafting, amending or adopting the necessary legislation. I will continue to monitor the legislative processes currently under way and work to ensure that Bosnia and Herzegovina fulfils its obligations to the United Nations with regard to police officers denied certification by the International Police Task Force.

XVII. Media development

70. The Federation Parliament passed a second Public Broadcasting System law in July, amending the previous draft to take account of the Federation Constitutional Court's decision on the Croats' previous invocation of vital national interest. The Croats, however, once more claimed a vital national interest. Following a failed effort by the parliamentary Harmonization Commission to resolve the matter, it was returned to the entity's Constitutional Court.

71. In September, the Constitutional Court of Bosnia and Herzegovina finally convened to discuss the constitutionality of various provisions of the State-level Public Broadcasting System law, as requested in 2005 by a then member of the Presidency, Ivo Miro Jović. The Court reached no decision other than to schedule a public hearing, following which it would reconsider the issues at stake.

72. Ensuring the independence of the Communications Regulatory Agency is also a European Partnership requirement. Unfortunately, the appointment of a new director has become caught up in the larger political game, with Republika Srpska

representatives opposing the reappointment of the current director in the face of the unanimous vote by the Council of the Communications Regulatory Agency to reappoint him.

XVIII. Mission implementation plan and the workplan of the Office of the High Representative

73. At the end of April, the Steering Board of the Peace Implementation Council approved a revised workplan of the Office of the High Representative. As has been noted throughout the present report, the general political situation has led to stagnation in the reform agenda. There is thus little progress to report beyond the adoption of the long-delayed Higher Education Law of Bosnia and Herzegovina and the ratification of the Central European Free Trade Agreement. The commitment of some political parties and their leaders to the reform agenda remains in doubt. The stalemate on police reform, the lack of progress on constitutional reform, the verdict of the International Court of Justice, and regional developments all contributed to an unfavourable political environment for achieving the reforms to which the Office of the High Representative is committed. At the time of writing, it appears that there is every possibility that the current stalemate will continue.

74. Progress worthy of note has been made on four of the 22 items contained in the revised workplan of the Office of the High Representative, namely with regard to the Higher Education Law of Bosnia and Herzegovina, internal debt and two items related to Brčko District. The Office of the High Representative will continue to engage with the authorities of Bosnia and Herzegovina to secure the implementation of the reform agenda, but progress will not come easily.

XIX. European Union Special Representative

75. In line with my mandate as European Union Special Representative in Bosnia and Herzegovina (Council decision 2007/427/CFSP), I continued to promote the priorities listed in the European Partnership document of 2006, as well as the implementation of the Dayton Accords (General Framework Agreement for Peace). In my capacity as European Union Special Representative, I have also continued to coordinate and ensure the coherence of the European Union presence in Bosnia and Herzegovina, in particular with regard to the European Union Police Mission and EUFOR.

XX. Future of the Office of the High Representative

76. It will be recalled that in February the Steering Board of the Peace Implementation Council determined that the Office of the High Representative would remain in place and continue to carry out its mandate under the Dayton Peace Agreement, ensuring full respect of the Agreement. In June, the Steering Board confirmed this determination. It expressed the view that the aim was closure of the Office of the High Representative by June 2008. The Steering Board reviewed the situation at its meeting on 30 and 31 October without discussing the possibility of closure of the Office. It agreed to review the situation at its next meeting at the political directors' level in February (see appendix).

XXI. Reporting schedule

77. In keeping with my predecessors' proposals to submit regular reports for onward transmission to the Security Council, as required by the Council in its resolution 1031 (1995), I herewith present my first regular report. Should the Secretary-General or any Security Council member require information at any other time, I should be pleased to provide an additional written update.

Appendix

Declaration by the Steering Board of the Peace Implementation Council, 31 October 2007

The Political Directors of the Peace Implementation Council Steering Board met in Sarajevo on 30 and 31 October 2007. The Chairman and Ministers of the Council of Ministers as well as leaders of the governing coalition were present during parts of the meeting.

In line with the decision taken at its June meeting, the Steering Board reviewed the situation in Bosnia and Herzegovina. Since then, the situation in Bosnia and Herzegovina has deteriorated further. Responsibility lies with political leaders from both entities who have blocked progress and undermined the political situation with their aggressive rhetoric. The situation is now of the utmost concern to the international community. The Steering Board underscores that it is time for Bosnia and Herzegovina politicians to end the practice of questioning the fundamental structure of the state or its component parts.

Bosnia and Herzegovina urgently needs reform to build the kind of modern, efficient State that can take its place in Euro-Atlantic institutions and fulfil the promise of the Dayton Peace Agreement. This can only be achieved through compromise.

However, since June, Bosnia and Herzegovina has moved no closer to initialling a stabilization and association agreement. Some political leaders have not honoured their previous commitments to meet European Union requirements. These requirements must be fulfilled if the country is to conclude a stabilization and association agreement. Bosnia and Herzegovina leaders should adopt a positive approach, based on full respect for the Dayton Peace Agreement and dialogue. The Mostar Declaration of 28 October can serve as the starting point for a positive reengagement of the government coalition parties. Concrete steps are now needed to demonstrate that this is a serious effort. If they follow up, Bosnia and Herzegovina would be able to progress towards conclusion of the stabilization and association agreement.

Given the lack of progress on key reforms, a focus on completing implementation of the Dayton Peace Agreement, including efforts to tackle the evident dysfunctionality of state institutions, is necessary. The Steering Board fully supports this approach.

The Steering Board of the Peace Implementation Council also supports the High Representative's decisions and proposed actions, which are fully in line with his mandate and the Constitution of Bosnia and Herzegovina. The only objective of these measures is to streamline the decision-making process in the Council of Ministers and the Parliament, and they are necessary for speeding up the reform process. Certain political leaders have overreacted to these measures in order to create a political crisis. They have also challenged the legitimacy and authority of the High Representative and Peace Implementation Council. In particular, the

Steering Board calls upon leaders of the Republika Srpska to abide by their obligations.[1]

The Peace Implementation Council welcomes the High Representative's initiative to provide a note explaining that the measures maintain the constitutional protection of constituent peoples and entities. We encourage legal experts of the Republika Srpska to engage constructively with legal experts of the Office of the High Representative on the explanatory note.

The Steering Board reminds all signatories and parties of their obligation under annex 10 to the Dayton Peace Agreement to cooperate fully with the High Representative and his staff. Decisions of the High Representative must be fully respected and promptly implemented.

The Steering Board reiterates that it will not remain passive in the face of provocative statements or acts. Any Bosnia and Herzegovina political leader or institution that challenges the High Representative and the Steering Board will be subject to appropriate measures. The Steering Board underlines that the international community retains the necessary instruments to counter destructive tendencies and that it will not allow attempts to undermine the Dayton Peace Agreement, whether from inside or outside the country.

The Steering Board underlines that Bosnia and Herzegovina is a recognized sovereign State whose territorial integrity is guaranteed by the Dayton Peace Agreement. The Steering Board recalls that the Constitution of Bosnia and Herzegovina recognizes that Bosnia and Herzegovina consists of two entities and that Bosniacs, Croats and Serbs are constituent peoples. The Steering Board of the Peace Implementation Council remains committed to the principles on which the General Framework Agreement for Peace is founded and notes that the High Representative's measures in no way change these principles.

The Steering Board also re-emphasizes its concern regarding suggestions that certain reforms could be reversed unilaterally by entity decisions retrieving competencies previously transferred to the state. An entity cannot withdraw unilaterally from a previously agreed reform. The consolidation of State-level institutions must continue.

In this context, the Steering Board deplores the lack of progress regarding the transfer from the entities to the State of all property needed for defence purposes as required by the Defence Law. The Steering Board stresses the urgent need to resolve this issue and requests the High Representative to engage with the parties and take appropriate measures to bring this issue to a conclusion by the end of the year.

[1] The Russian Federation expressed its special opinion regarding the measures of the High Representative. The Russian Federation expressed its deepest concern by the consequences of the measures taken by the High Representative that change the procedures of the adoption of decisions by the Council of Ministers and the Parliamentary Assembly of Bosnia and Herzegovina. Taking into account the lack of agreement on these measures among the leaders of Bosnia and Herzegovina, the Russian Federation considered that the elaboration of the measures in a more stable environment would have been more productive. It was essential that the efficiency of institutions of Bosnia and Herzegovina be improved not in an atmosphere of growing tensions, but in a more stable context.

The Steering Board also deplores the fact that State and entity authorities have failed to reach an agreement apportioning the ownership and use of State property, despite the strong appeal that they do so issued by Political Directors in June 2007. It reminds the three prime ministers of the urgent need to reach an intergovernmental agreement on this question and requests the High Representative to undertake all appropriate measures to bring this issue to a conclusion.

The Steering Board calls upon Serbia, a Dayton signatory, as well as the authorities in Bosnia and Herzegovina, especially those in the Republika Srpska, to abide by their obligations under international law to cooperate fully with the International Tribunal for the Former Yugoslavia, playing a proactive role in apprehending all remaining indictees, including Radovan Karadzic and Ratko Mladić, without further delay, dismantling the networks offering support to such fugitives, and ensuring they are transferred to the Tribunal.

Also in that regard, the Steering Board welcomes the steps taken by the High Representative to augment the capacity of the authorities of Bosnia and Herzegovina to investigate and prosecute war crimes suspects.

The Steering Board of the Peace Implementation Council will review the situation at its next meeting, which will take place in Brussels on 26 and 27 February 2008.